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possible East-West confrontation.

Because of its unusual degree of dependence on the Soviet Union for its security and political legitimacy, the sphere within which the GDR can exercise autonomy is narrower than in the case of most other Warsaw Pact countries. Nevertheless, there are areas where the interests of the GDR and the USSR (e.g., on attitudes toward the FRG, Berlin, etc.), diverge/ and, while the GDR cannot alter the main lines of Soviet policy, it can and does exert influence on the Soviet leadership to take account of East German interests in implementing its policies in Europe and elsewhere. The Soviets have granted the GDR a fairly free hand in reaching agreements on practical issues with Bonn, [despite evidence of Soviet concern over the long-term implications of expanded East-West German contacts]. ^{However} Recent reports suggest that the Soviets have sought unsuccessfully to reduce or eliminate interzonal trade between the two Germanies on the grounds that it gives Bonn excessive leverage on the GDR. [The East Germans, however, consider this trade vital to the proper functioning of their economy.]

Recently the GDR has shown willingness, if not eagerness, to improve its relations with the U.S. and other Western countries. The fundamental motives appear to be to:

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- expand its export possibilities in the West to enable acquisition of advanced technology, raw materials, and consumer goods;
- strengthen the GDR's international image and thus enhance its legitimacy, both foreign and domestic;
- preserve policy flexibility by balancing ties with the FRG with more active relations with other Western countries.

The regime evidently feels that these ties can be promoted without threatening its own stability, and indeed access by Western representatives to GDR citizens does not compare unfavorably with that accorded elsewhere in Eastern Europe.

Fundamentally differing views over the status of Berlin will continue to constitute a major problem in Western countries' relations with the GDR. Recently the East Germans have ^{unilaterally} removed some of the remaining symbols of the special status of East Berlin. However, as long as East German claims to sovereignty in their own capital are belied by Western statements backed up by allied patrols, the potential for conflict exists.

Neither the
Soviet's
nor
The Honecker regime, however, ^{have} shown ~~no~~ interest in provoking a major confrontation

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over Berlin, and the Soviets are likely to continue to insist that GDR actions remain within the framework of overall Soviet goals in East-West relations.

One of the major paradoxes of the East German situation is that the country which is most subject to Soviet influence is at the same time the one most penetrated by Western influence. Most GDR citizens watch West German television while, since the Basic Treaty with the FRG and the Quadripartite Agreement on Berlin, there have been more than 35 million visits to the GDR by West Germans and West Berliners. The regime has replied to the challenge of Western influence with a combination of defensive countermeasures (such as restrictive guidelines on emigration) and cautious accommodation. [A Western journalist who recently visited the GDR after a four-year absence was struck by the greater degree of freedom of expression which he attributes in part to the impact of Western media.] The regime's handling of open criticism by prominent cultural figures was marked by considerable pragmatism. While some of the critics were harassed and encouraged or forced to emigrate, others have continued to work relatively untroubled. The GDR's handling of a potential dissident problem thus falls somewhere between the heavy-handed Czechoslovak approach and the tolerant Hungarian one.

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5. East Germany

Despite a generally impressive economic performance [which has raised living standards], the Honecker regime continues to confront a population whose sense of German national feeling, constantly nourished by the example of West Germany, represents a ^{Chronic} [hitherto insurmountable] obstacle to the stabilization of ^{Communist} [political] control. [The problem is a chronic one which] the regime has kept ^{the problem within} [to] manageable proportions through a pragmatic mix of policies and mechanisms which have included:

- considerable attention to consumer well-being through price restraint and other mechanisms;
- a sophisticated system of public opinion monitoring which provides a fairly reliable early warning system of popular grievances;
- a generally efficient civil service and party bureaucracy;
- continued public statements of interest in pursuing detente-oriented policies with the FRG.

Barring unexpectedly adverse economic developments or major unrest in neighboring communist countries, these factors should continue to keep domestic tensions relatively low for the next few years. Nevertheless, the unresolved anomalies of Berlin and a divided Germany will remain a potential source of instability and

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10. Albania

As China's only ally and the sole defender of Stalinism in Europe, Albania has practiced isolationism abroad and severe authoritarian rule at home. But, the special quality which once marked Chinese-Albanian relations no longer exists. Ideological frictions and reduced Chinese assistance to the Albanian economy have evidently prompted Tirana to [consider breaking out of its isolation. Lately, there have been ^{MAKE} some cautious overtures toward certain Western nations, particularly in Europe, ^{eg. Greece} ~~In March~~, the Albanian Trade Minister made the first ministerial visit since 1974 to a Western country--in this instance, to Greece, with whom Albania has recently forged closer relations.] Moreover, for the first time in a decade, the Albanian leadership has dispatched Party delegations abroad to attend rallies of the Portuguese and Italian "Marxist-Leninist" splinter parties--[part of the competition between Tirana and Peking to gain the allegiance of these parties throughout the world.] For its part, Peking now appears to be more intent on improving its relations with Romania and Yugoslavia than with Albania.

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Albania (cont.)

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The purges which have wracked the Albanian leadership over the past several years have consolidated the hold of the duumvirate of Party Boss Hoxha and Premier Shehu and strengthened the probability of a smooth succession should one or the other depart the political scene. While there is little likelihood of any change in the hardline policies of the regime, Shehu appears to be more of a pragmatist than Hoxha; he is known to be alarmed over a perceived Soviet threat and might--unlike Hoxha--alter Albania's current ^{total} intransigence toward the US, UK, and FRG.

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11. Bulgaria *Party boss*

[The regime of] Todor Zhivkov, who has been in power longer than any Soviet bloc leader, *And his regime* has been the most stable in Eastern Europe over the past two decades. Strong political support and massive economic assistance from the Kremlin--in return for Zhivkov's complete loyalty--have enabled [^{him} Zhivkov] to dispose of all rivals [and factionalism which were perceived as a threat to his tenure.] Despite some economic difficulties, the regime has shown little concern over the inflationary and energy problems which continue to plague other East European regimes. Western influences--mainly through increased tourism--have posed no problems for the regime in coping with the intelligentsia and youth.

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HUNGARY

The Kadar regime has made steady if unspectacular progress in coping with the effects of Western economic recession and the sharp increases in the price of imported Soviet raw materials (especially energy).

[Demonstrating his pragmatic but cautious approach] Kadar has managed to limit the impact of the deteriorating terms of trade and to contain the adverse foreign trade balance by imposing a series of consumer price increases, boosting exports and labor productivity, while scaling down the growth in imports and domestic consumption.

[Illustrating Kadar's firm political base] these decisions were carried out with no more than muted consumer grumbling and without abandoning the goal to modernize Hungary's industry by importing Western technology. At the same time, Kadar successfully resisted pressures from within and outside the country to recentralize economic decision-making, thus leaving the essence of his economic reforms (the New Economic Mechanism) nearly intact.

For the better part of the past two decades, Kadar has pursued moderate domestic policies marked by a growing emphasis on participatory politics and by a measure of personal freedoms and cultural diversity seldom matched elsewhere in the Soviet bloc. Most recently, ^{He has shown where} there are signs of a new readiness to reach an accommodation with the

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Catholic Church. In contrast with most East European countries, Hungary has not had to cope with domestic dissent; the show of support for Czechoslovakia's "Charter 77" human rights movement by a group of 35 Hungarian intellectuals has been ignored by the authorities. This [^{Policy -- aided} tolerant attitude--prompted] by the group's studious avoidance of any reference to Hungarian conditions--has [^{Ed Hungary's Relations} reportedly caused] strain with some of [^{it's} Hungary's] allies, notably Czechoslovakia.

Although hewing closely to Soviet foreign policy line, Hungary's relations with both its allies and with an increasing number of Western countries, including the U.S., have been marked by a growing activism and assertiveness, *Such as:*
[Among those evidenced recently are:]

- the insistence, in contrast with some of its allies, on the need to maintain a more balanced attitude toward the Eurocommunist parties;
- a more marked effort than elsewhere within the Warsaw Pact to implement the CSCE human rights provisions;
- the reported criticism of Czechoslovakia's inept handling of its Charter 77 human rights movement;
- Kadar's new-found penchant to visit Western capitals as a means of improving Hungary's--and his own--international image.

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There is no visible challenger to Kadar's leadership, and no evidence of significant rank-and-file dissatisfaction with his pragmatic policies. [The ouster late last fall of his reputed rival, Pullai, from the party Secretariat left the Hungarian leadership almost entirely in the hands of Kadar loyalists, the majority of whom are moderates.] [The steady rise in prosperity] and a carefully measured degree of liberalism [are the major sources of his success and relative popularity at home and his prestige within the Pact's councils]. Drawing on this unique record, Kadar is likely to probe new limits of Soviet tolerance within which to assert Hungarian national interests. As part of this effort, Hungary can be expected--barring a major reversal in U.S.-Soviet relations--to show growing interest in improving its already considerable [cultural, trade, commercial and financial] relations with the West in general and with the U.S. in particular, ^{including} [Hungary can also be expected to mount] new efforts to obtain from the U.S. most-favored-nation status and [to effect] the return of the Crown jewels [now in U.S. custody]. Moscow, in turn, is unlikely to oppose this endeavor so long as it does not perceive a threat to its position or to the established order in Hungary.

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Suggestions from Lang/INR on Economic Section of EE IIM

General Comment: too much generalization or not enough

Specifics: Three East European countries are self sufficient in grain (Hungary, Romania, Bulgaria) (Czechoslovakia is normally only a slight importer).

All are resource poor compared to most of the world; if ^{ex}cepting any East European country add Romania to Poland.

Re ob^ose^{les}c^cence of manufacturing plants, it doesn't come through that this has been an important ^ucas^ual element in East European trade strategy.

Labor Force Skill - not Romanians or Bulgarians; qualify skills ^{with} "realitively".

Romania is an exception to scaled down growth projection generalization.

Hungary may well be an exception to the generalization that it dubious any of East European countries will ~~made~~ reach even their more modest growth projections.

Paragraph 7. Better to say that some East European countries have already begun initial steps to cope with ~~the~~ oil import problem (East Germany and Czechoslovakia have conservation measures and conver^{sion} ~~and~~ of energy plants to coal in current plans).

Paragraph 22. Orenburg is a contradiction to the generalization about Soviet reluctance to make long-term energy commitments; it is less commitment than that they are charging more for commitments.